

Approved: Meeting No. 33-83

ATTEST: *Helen M. Heneghan*

MAYOR AND COUNCIL  
ROCKVILLE, MARYLAND  
MEETING NO. 30-83

August 29, 1983

The Mayor and Council of Rockville, Maryland, convened in general session in the Board and Commission Room, Rockville City Hall, Maryland at Vinson Street, Rockville, Maryland, on Monday, August 29, 1983, at 8:00 p.m.

PRESENT

Mayor John R. Freeland

Councilman Steve Abrams  
(arrived at 8:10 p.m.)

Councilman Douglas Duncan

Councilwoman Viola Hovsepien

Councilman John Tyner, II

The Mayor in the Chair.

In attendance: City Manager Larry Blick; City Clerk Helen M. Heneghan; City Attorney Paul Glasgow.

Re: Proposal of Artery organization, Inc., to purchase Summit Apartments for \$5 million using tax-exempt bonds issued by the Rockville Housing Authority

Mayor Freeland suggested that the Council have been furnished with materials that answered all of the questions submitted at last week's work session. He asked Mr. Dennis Eisen, consultant to the City, if the new information altered Mr. Eisen's report. Mr. Eisen addressed the Council and reaffirmed the facts in his report noting that the additional material further strengthens his report. The Council addressed several new items such as concessions of the developer and the possibility of syndication. The Council discussed at length the possibility of Section 8 being used since the Artery Organization explained there is no new Section 8. Councilman Duncan suggested that the \$75,000 contribution from Artery be paid in installments of \$25,000 per year in years 1, 2, and 3. Councilwoman Hovsepien discussed the \$25 subsidy that the Artery Organization plans to give to 20% of the apartments. She suggested that this be increased to 40% but also offered a counter-proposal and said possibly that money in a lump sum (\$14,100 per year for 2 years) could go to the City to start a fund to aid in future conversions or rehabilitation. Artery suggested that they would go along with the suggestion if the money were to be used for tenants projects. A long discussion ensued on the fireplaces. Councilwoman Hovsepien felt they were costly and not energy efficient. It was Artery's contention that they are

essential to the marketing of the apartments. Arlene Simons of the Housing Policy Task Force suggested that the City put up \$75,000 matching funds to go with the \$75,000 Artery proposes to post. Councilman Abrams had a problem with this suggestion since, at this time, there was no sure knowledge of what the use would be of the funds. Councilman Abrams said the funds will have little impact. He is opposed to the project because he feels the price of the property has been inflated. The only way such a deal can be consummated is through creative financing and once the City assists in this creative financing it causes a further inflationary factor and no real solution to the problems. Councilwoman Hovsepien suggested that this project might be necessary since there is nothing on the immediate horizon that could accomplish the same goal. Councilman Tyner suggested that maybe a non-profit organization with tax-exempt financing could do it. He said he has difficulty with the fund referred to as a "glue pot". Councilman Tyner said he is against it as it is presently constituted. He would like to see some innovation. Councilman Duncan felt that the Mayor and Council should go ahead and approve the project because of the housing fund that would be established. Mayor Freeland said that although the suggestion of a non-profit organization is a good one it brings forth many problems. There is no staff on board at this time to investigate the possibilities. It would be necessary to finance it and this could not be done by the City for its own non-profit group. It could possibly take two years to work out all of the problems and the property cannot wait for two years. It might be possible to approve this project and then use the funds as a beginning fund that would help other such projects in the future on the City's own terms. Councilman Abrams said he had a problem subsidizing higher income people. Councilman Tyner suggested that maybe the Housing Policy Task Force should look at the possibility of taking over the Summit Apartments as a City-lead project and maintain it. Mayor Freeland disagreed and said as a City government Rockville cannot do it. It is more the City's role to facilitate but they cannot be dragged into an entrepreneurial function. Councilman Abrams said his main concern is the City's talk of getting its feet wet in the housing area. He would be more confident if the City took it on as a public management project instead of assisting a private group. He would like to see the City provide subsidies to the area of the market that needs it - low income - not moderate income. Mayor Freeland suggested that the Council vote on the issue. The decision was deadlocked, Councilwoman Hovsepien abstained, Councilmembers Abrams and Tyner voted nay.

Councilwoman Hovsepien suggested that if a non-profit group were formed a staff person would be needed to work with it, she asked what time factor Mrs. Simon sought.

Mrs. Simon said she did not feel it would be accomplished in less than a year. Councilwoman Hovsepian asked about the fee. Mr. Blick said he saw it as a \$100,000 minimum to put the mechanism together and the City could not issue bonds for itself. Councilwoman Hovsepian said she would withdraw her abstention and vote yes for Artery. She said it is a difficult decision that she makes. She is not sure it is right but there is nothing that can be done without the Artery Organization help to preserve the property as a home for people. Mayor Freeland said it is his feeling that the City has just started on a major effort. It is time now to look at a formal policy and steps for implementation. Councilman Abrams said he is interested in seeing what the money brings in housing. He would not want to see it wasted in feasibility studies and plans to monitor it closely. Councilman Tyner said he would look to the Housing Task Force to come up with a mechanism for the use of the funds that will be committed and the recommendations.

With Councilwoman Hovsepian's vote, the approval was given for the Housing Authority to issue tax-exempt bonds, three voting aye, and Councilmembers Abrams and Tyner voting nay.

Re: Maryvale Project

Mrs. Simons asked for Council reaffirmation of their instructions to the staff on the Maryvale project. The Mayor and Council agreed that staff was asked to look for innovation and affordability.

Re: Other Items

Councilman Duncan brought to the Mayor and Council's attention a suggestion he had received that the City look again into returnable container legislation. Councilman Duncan said that he has been asked by a citizen, Mark Allen, if the Mayor and Council would meet with Mr. Allen to discuss the North Farm situation. It was the consensus of the Council that due to the demands on their time, a request for a formal Mayor and Council meeting would have to come from Mr. Gans, President of the North Farm Citizens Association.

Re: Adjournment

There being no further business to come before the Council in special session, the meeting was adjourned at 10:30 p.m. to convene again in general session on Monday, September 12, 1983, at 8:00 p.m. or at the call of the Mayor.